

PUBLIC UTILITIES COMMISSION

505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3298

Tel. No. (415) 703-1691



August 26, 2004

Advice Letter 2504-G/2504-G-A

Rose de la Torre
Pacific Gas & Electric
77 Beale Street, Room 1088
Mail Code B10C
San Francisco, CA 94105

Subject: El Paso settlement refund plan

Dear Ms Smith:

Advice Letter 2504-G/2504-G-A is effective August 11, 2004. A copy of the advice letter is returned herewith for your records.

Sincerely,

A handwritten signature in cursive script that reads "Paul Clanon".

Paul Clanon, Director
Energy Division



July 2, 2004

Advice 2504-G-A

(Pacific Gas and Electric Company ID U 39 G)

Public Utilities Commission of the State of California

**Subject: **El Paso Settlement Refund Plan
(Wholesale Customers)****

Pacific Gas and Electric Company (PG&E) hereby submits this supplemental filing for revisions to its Wholesale El Paso Settlement Gas Refund Plan. The revised amount to be disbursed to wholesale customers is \$660,757 based on the net present value (NPV) of wholesale customers' proportional share of the total consideration for PG&E's core gas customers under the El Paso Natural Gas Company (El Paso) Settlement. The Refund Plan is described in Attachment I to this filing.

This supplemental filing updates wholesale customers' proportional share of the consideration received by PG&E from the El Paso Settlement OIR 03-07-008, as initially filed in Advice 2504-G on December 3, 2003 in partial compliance with Ordering Paragraph (OP) 3 of Decision (D.) 03-10-087, issued October 30, 2003.

Purpose

This supplemental filing complies in part with OP 1 of Commission Resolution (R.) G-3363, issued April 22, 2004, in R. 03-07-008. Resolution G-3363 orders respondent utilities to incorporate a discount rate of 7.86 percent, using a 20-year payment stream for the NPV calculation of refunds to certain customer classes. This filing revises the NPV calculation for wholesale customers contained in Advice 2504-G as required by R. G-3363. Advice 2502-G-A and Advice 2503-G-A are being filed concurrent with this filing in full compliance with OP 1.

Background

Approximately \$1 billion nominal value will be received from El Paso by CPUC-jurisdictional natural gas and electric utilities pursuant to the terms of the Settlement Agreement reached in FERC Docket No. RP00-241-000.



Approximately \$80 million of this consideration will be distributed to PG&E's gas customers over a 20-year period. In accordance with D. 03-10-087, PG&E's eligible core aggregation, core subscription, and wholesale customers will receive their distributions from the upfront payment. PG&E's core procurement customers will receive their distributions from both upfront cash and semi-annual payments.

On December 3, 2003, in accordance with OP 3 of D. 03-10-087, PG&E filed Advice 2502-G, Advice 2503-G, and Advice 2504-G to record the proportional share of the consideration received from the El Paso Settlement for core aggregation, core subscription, and wholesale customers respectively, and to establish accounting and ratemaking treatments for the refunds. On January 14, 2004, PG&E filed Advice 2511-G to revise gas Preliminary Statement Part D—Purchased Gas Account (PGA), to record the core procurement customers' proportional share of the consideration.

On December 18, 2003, the School Project for Utility Rate Reduction (SPURR) filed a protest to the respondent utility Settlement refund plan advice letters, arguing that a lower discount rate should be used in the refund plan NPV calculations. Resolution G-3363 denied SPURR's protest and established a 7.86 percent discount rate to be used by respondent utilities in their refund plan calculations over a 20-year payment stream.

On June 28, 2004, PG&E received an upfront cash payment from El Paso of \$26.3 million for its core gas customers and will receive an additional \$53.5 million in semi-annual payments over 20 years.¹

Refund Amount Calculation

In accordance with D. 03-10-087, and R. G-3363, wholesale customers will receive a proportional share of the settlement amount.

The Refund Plan is revised to reflect the wholesale customers' proportional share of the actual upfront payment received from El Paso based on the wholesale customers' share of PG&E's total system natural gas throughput, excluding noncore volumes², for the 12 months immediately prior to the time that the utility first receives the consideration. In accordance with R. G-3363, PG&E is using a NPV discount rate of 7.86% over a 20-year period to calculate the refund.

¹ The 20-year period may be shortened to 15 years if El Paso Corporation achieves an investment grade credit rating, and certain other conditions are met.

² Wholesale volumes are considered core load for this calculation.



The following is the core subscription customer share of the Settlement proceeds based on approximately 1.2 percent of the core load:

Net Present Value 20-Year Payment Stream at 7.86%:

Upfront Cash	\$327,426
Deferred Cash Payment Total	<u>\$333,331</u>
Net Present Value of Consideration	\$660,757

Protests

Anyone wishing to protest this filing may do so by sending a letter by **July 22, 2004**, which is 20 days from the date of this filing. The protest must state the grounds upon which it is based, including such items as financial and service impact, and should be submitted expeditiously. Protests should be mailed to:

IMC Branch Chief – Energy Division
California Public Utilities Commission
505 Van Ness Avenue, 4th Floor
San Francisco, California 94102

Facsimile: (415) 703-2200
E-mail: jjr@cpuc.ca.gov

Protests also should be sent by e-mail and facsimile to Mr. Jerry Royer, Energy Division, as shown above, and by U.S. mail to Mr. Royer at the above address.

The protest should be sent via both e-mail and facsimile to PG&E on the same date it is mailed or delivered to the Commission at the address shown below.

Pacific Gas and Electric Company
Attention: Brian Cherry
Director, Regulatory Relations
77 Beale Street, Mail Code B10C
P.O. Box 770000
San Francisco, California 94177

Facsimile: (415) 973-7226
E-mail: RxDd@pge.com

**Effective Date**

PG&E requests that this advice filing become effective on regular notice, **August 11, 2004**, which is 40 days after the date of filing.

PG&E proposes that the refund will be made to eligible wholesale customers beginning within 45 days after the effective date of this advice letter.

Notice

In accordance with General Order 96-A, Section III, Paragraph G, a copy of this advice letter is being sent electronically and via U.S. mail to parties shown on the attached list and the parties on the service list for R. 03-07-008. Address changes should be directed to Rose de la Torre at (415) 973-4716. Advice letter filings can also be accessed electronically at:

<http://www.pge.com/tariffs/>

Brian K. Cherry /sv

Director, Regulatory Relations

Attachments

cc: Service List – R. 03-07-008

PACIFIC GAS AND ELECTRIC COMPANY
WHOLESALE EL PASO SETTLEMENT
GAS REFUND PLAN

1. PURPOSE

The purpose of the Wholesale El Paso Settlement Gas Refund Plan (Refund Plan) is to return, to eligible PG&E Wholesale gas customers on Schedule G-WSL, \$660,757 of El Paso Natural Gas (El Paso) Settlement consideration, as ordered by the CPUC in Decision (D.) 03-10-087.

2. INITIAL REFUND DATE

Refunds will be made to eligible Wholesale gas customers beginning within 45 days after approval of the Refund Plan.

3. TOTAL AMOUNT TO BE REFUNDED

The total amount to be refunded to PG&E's Wholesale customers is based on the net present value¹ of the Wholesale customers pro rata share of the total El Paso Settlement amount for PG&E's core gas customers, as described in D. 03-10-087. The pro rata share is based on PG&E's Wholesale customers' gas usage for the 12 months immediately prior to the time that PG&E first receives the Settlement consideration. A contingency amount equal to 0.25 percent of the total refund will be temporarily held by PG&E to cover implementation costs and to make subsequent corrections to customer accounts.

4. CUSTOMER ELIGIBILITY

An eligible customer is a PG&E Wholesale customer at the time the refund is issued.

¹ The net present value is determined based on a discount rate of 7.86% over a 20-year payment stream.

5. METHODOLOGY FOR DISTRIBUTION OF REFUND S TO ELIGIBLE CUSTOMERS

Refunds will be made to PG&E's Wholesale gas customers based on the method outlined below:

- a) An illustrative refund rate is provided in this Refund Plan in Table 1. The refund rate is equal to the Refund Plan amount, divided by the total Wholesale therms billed for PG&E's Wholesale customers' gas usage for the 12 months immediately prior to the time that PG&E first receives the Settlement consideration. The refund rate provided herein is based on recorded usage for the period from June 2003 through May 2004.
- b) The refund amount due to each Wholesale customer is determined by multiplying each customer's Wholesale usage billed for the 12 months immediately prior to the time that PG&E first receives the Settlement consideration, by the refund rate determined in (a) above.
- c) PG&E will remit the refund amount due to each eligible customer as a one-time bill credit.
- d) The utility users' tax, if applicable, will be included at the rate in effect during the billing period.

6. ADJUSTMENTS OF REFUNDS UPON CUSTOMER INQUIRY

If any former or present customer contends, within six months after the initial implementation date of the Refund Plan, that the amount received by the customer is incorrect, PG&E will investigate and make appropriate adjustments.

7. UNCASHED CHECKS

Any uncashed checks resulting from the Refund Plan will remain a liability of PG&E to the individual customer for one year after the date of the check. The claim of any person legally entitled to one of the uncashed checks (whether or not the check is returned to PG&E) will be honored. Where a check has been returned, PG&E will make every reasonable effort to locate the payee.

8. REFUND PLAN BALANCES

If after nine months following the initial date of the Refund Plan there is any refund balance, excluding amounts unclaimed by specific customers under Section 7 above, the refund balance will be transferred, consistent

with the Commission's direction in D.03-10-087, to the core subaccount of PG&E's Purchased Gas Account (PGA).

9. REPORT ON REFUND PLAN

A report of the total amount of refunds made to Wholesale gas customers pursuant to the Refund Plan, including adjustments and corrections made pursuant to Section 6 of the Refund Plan, will be furnished to the California Public Utilities Commission's Energy Division after completing the refund and no later than 14 months after the refunds are issued.

10. CUSTOMER NOTIFICATION

Each energy statement reflecting the refund credit will include a bill message stating the reason for the refund.

Table 1

**Wholesale El Paso Settlement Gas Refund Plan Amounts
(Estimate)**

Wholesale El Paso Settlement Refund Amount	\$660,757
Less: Contingency Amount	(\$ 1,652)
Total To Be Refunded	\$659,105
Wholesale Annual Usage (recorded data: 6/03 – 5/04 in therms)	35,098,870
Refund Rate per therm	\$0.01878

**PGE Gas Advice Filing
List
General Order 96-A, Section III(G)**

ABAG Power Pool
Accent Energy
Aglet Consumer Alliance
Agnews Developmental Center
Ahmed, Ali
Alicantar & Elsesser
Applied Power Technologies
Arter & Hadden LLP
Avista Corp
Barkovich & Yap, Inc.
BART
Blue Ridge Gas
BP Energy Company
Braun & Associates
C & H Sugar Co.
CA Bldg Industry Association
CA Cotton Ginners & Growers Assoc.
CA League of Food Processors
CA Water Service Group
California Energy Commission
California Farm Bureau Federation
California Gas Acquisition Svcs
California ISO
Calpine
Calpine Corp
Calpine Gilroy Cogen
Cambridge Energy Research Assoc
Cameron McKenna
Cardinal Cogen
Chevron USA Production Co.
Childress, David A.
City of Glendale
City of Palo Alto
City of Redding
CLECA Law Office
Constellation New Energy
CPUC
Creative Technology
Cross Border Inc
Crossborder Inc
CSC Energy Services
Davis, Wright Tremaine LLP
Davis, Wright, Tremaine, LLP
Defense Fuel Support Center
Department of the Army
Department of Water & Power City
DGS Natural Gas Services
DMM Customer Services
Downey, Brand, Seymour & Rohwer
Duke Energy
Duke Energy North America
Duncan, Virgil E.
Dutcher, John
Dynegy Inc.
Ellison Schneider
Energy Law Group LLP
Enron Energy Services

Exelon Energy Ohio, Inc
Exeter Associates
Foster Farms
Foster, Wheeler, Martinez
Franciscan Mobilehome
Future Resources Associates, Inc
G. A. Krause & Assoc
GLJ Energy Publications
Goodin, MacBride, Squeri, Schlotz &
Grueneich Resource Advocates
Hanna & Morton
Heeg, Peggy A.
Hogan Manufacturing, Inc
House, Lon
Integrated Utility Consulting Group
International Power Technology
Interstate Gas Services, Inc.
J. R. Wood, Inc
JTM, Inc
Kaiser Cement Corp
Korea Elec Power Corp
Luce, Forward, Hamilton & Scripps
Marcus, David
Masonite Corporation
Matthew V. Brady & Associates
Maynor, Donald H.
McKenzie & Assoc
McKenzie & Associates
Meek, Daniel W.
Mirant California, LLC
Modesto Irrigation Dist
Morrison & Foerster
Morse Richard Weisenmiller & Assoc.
Navigant Consulting
New United Motor Mfg, Inc
Norris & Wong Associates
Northern California Power Agency
Office of Energy Assessments
Palo Alto Muni Utilities
PG&E National Energy Group
Pinnacle CNG Company
PITCO
Plurimi, Inc.
PPL EnergyPlus, LLC
Price, Roy
Product Development Dept
Provost Pritchard
R. M. Hairston & Company
R. W. Beck & Associates
Recon Research
Regional Cogeneration Service
RMC Lonestar
Sacramento Municipal Utility District
SCD Energy Solutions
Seattle City Light
Sempra
Sempra Energy

Sequoia Union HS Dist
SESCO
Sierra Pacific Power Company
Silicon Valley Power
Simpson Paper Company
Smurfit Stone Container Corp
Southern California Edison
SPURR
St. Paul Assoc
Stanford University
Sutherland, Asbill & Brennan
Tabors Caramanis & Associates
Tansev and Associates
Tecogen, Inc
TFS Energy
TJ Cross Engineers
Transwestern Pipeline Co
U S Borax, Inc
United Cogen Inc.
URM Groups
Utility Cost Management LLC
Utility Resource Network
Wellhead Electric Company
Western Hub Properties, LLC
White & Case
WMA